

Module: Introduction**Page: W0. Introduction****W0.1****Introduction****Please give a general description and introduction to your organization**

Philip Morris International Inc. (PMI) is the leading international tobacco company, with its headquarters in New York City, New York, U.S.A. and Operations Center in Lausanne, Switzerland.

On 31 December 2016, PMI owned and operated 48 manufacturing facilities and sold products in more than 180 markets.

In 2016, PMI recorded total cigarette shipment volume of 813 billion units, had revenues, including excise taxes, of US\$ 74.9 billion, and held an estimated 27.9% of the international cigarette market excluding the People's Republic of China and the U.S. PMI's 2016 operating income was US\$ 10.8 billion.

PMI has an unequalled brand portfolio led by Marlboro, the world's number one international selling cigarette brand, and L&M, the third most popular brand. Including Marlboro and L&M, six of our brands rank in the top 15 international cigarette brands in the world. We have a strong mix of international and local products that appeal to a wide range of adult smokers.

PMI's global workforce of approximately 79,500 employees is extremely diverse. We have historically expanded our business through a mixture of organic growth, geographic expansion and acquisitions, and have a successful track record of acquiring and integrating companies.

PMI is driven by four long-term goals that guide us as we grow our business in a responsible manner. Those goals are:

- to meet the expectations of adult smokers by offering innovative tobacco products of the highest quality available in their preferred price category;
- to generate superior returns to our shareholders through revenue, volume, income, and cash flow growth and a balanced program of dividends and share repurchases;
- to reduce the harm caused by tobacco products by supporting effective evidence based regulation and by developing products with the potential to reduce the risk of tobacco-related diseases; and
- to be a responsible corporate citizen and to conduct our business with the highest degree of integrity.

For more than a decade, PMI has dedicated significant resources to the development and scientific assessment of non-combustible alternatives to cigarettes. We refer to these products as Reduced-Risk Products (see further information) because they have the potential to reduce the risk of smoking-related diseases.

We are committed to responsibly delivering long-term sustainable growth and applying high standards wherever we operate. We also aim to be an industry leader in environmental sustainability and have set clear and measurable targets to improve our environmental performance. In 2010, we set ourselves the goal of reducing the carbon footprint of our value chain by 30% by 2020. Beyond 2020, we continue to work on developing company-wide emissions reduction targets based directly on climate science. In 2016 we submitted and in 2017 we got approved our 2030 and 2040 Science Base Targets based on a new baseline footprint analysis and a forecast on how industry trends and our Manufacturing, Fleet, Leaf and supply chain emission reduction programs could achieve in the mid-long term.

W0.2**Reporting year**

Please state the start and end date of the year for which you are reporting data

Period for which data is reported
Fri 01 Jan 2016 - Sat 31 Dec 2016

W0.3**Reporting boundary**

Please indicate the category that describes the reporting boundary for companies, entities, or groups for which water-related impacts are reported

Companies, entities or groups over which operational control is exercised

W0.4**Exclusions**

Are there any geographies, facilities or types of water inputs/outputs within this boundary which are not included in your disclosure?

Yes

W0.4a

Exclusions

Please report the exclusions in the following table

Exclusion	Please explain why you have made the exclusion
Offices (except main offices in Switzerland) and some minor facilities.	We have excluded some offices and minor activities/facilities such as finished goods warehouses for which we have limited data and where we consider our water footprint and risks to be very small. These exclusions are not significant to this disclosure and we estimate that these sites represent less than 2% of our overall blue water usage based on a water footprint screening performed by Quantis.

Further Information

RRPs is the term we use to refer to products that present, are likely to present, or have the potential to present less risk of harm to smokers who switch to these products versus continued smoking. We have a range of RRP in various stages of development, scientific assessment and commercialization. Because our RRP do not burn tobacco, they produce far lower quantities of harmful and potentially harmful compounds than found in cigarette smoke. We conduct rigorous scientific assessment of our RRP platforms to establish that they reduce exposure to harmful and potentially harmful constituents in smoke and, ultimately, that these products present, are likely to present, or have the potential to present less risk of harm to adult smokers who switch to them versus continued smoking. We draw upon a team of expert scientists and engineers from a broad spectrum of scientific disciplines and our extensive learnings of consumer preferences to develop and assess our RRP. Our efforts are guided by the following key objectives: to develop RRP that adult smokers who would otherwise continue to smoke find to be satisfying alternatives to smoking; for those adult smokers, our goal is to offer RRP with a scientifically substantiated risk-reduction profile that approaches as closely as possible that associated with smoking cessation; to substantiate the reduction of risk for the individual adult smoker and the reduction of harm to the population as a whole, based on scientific evidence of the highest standard that is made available for scrutiny and review by external independent scientists and relevant regulatory bodies; and, to advocate for the development of science-based regulatory frameworks for the development and commercialization of RRP, including the communication of scientifically substantiated information to enable adult consumers to make better health choices.

Module: Current State

Page: W1. Context

W1.1

Please rate the importance (current and future) of water quality and water quantity to the success of your organization

Water quality and quantity	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Important	Important	This year, we worked with Quantis to conduct a water footprint screening of our organization to better understand where the risks are. Of our blue water footprint, around 42% goes to our Leaf irrigation program, 56% is used in our supply chain, and only 2% is used in our manufacturing sites. Direct: At our manufacturing sites, water use is evenly divided between WASH facilities, landscaping, and manufacturing process itself. At these sites, we are dependent on having sufficient amounts of high quality freshwater. Supply Chain: PMI has a large number of suppliers, but those most crucial to our business in terms of water risk are tobacco, paper and cellulose acetate based raw material suppliers. Around 66% tobacco crops are rainfed and 33% require irrigation. All regions from where we source tobacco and specially those irrigated are vulnerable to water-related risks in the form of drought, and require water to grow and harvest crops, therefore, we have given them a rating of important.
Sufficient amounts of recycled, brackish and/or produced water available for use	Important	Important	Direct: At our manufacturing sites, water is recycled from our waste water treatment plants and used for gardening and process where is technically possible. Supply Chain: both our tobacco crops and other raw material suppliers like paper or cellulose acetate use every opportunity to treat and use recycled or brackish water. Saving freshwater withdrawn by using recycled or brackish water improves our direct and supply chain resilience to water scarcity and increases the water available for our surrounding communities, therefore, we have given them a rating of important.

W1.2

For your total operations, please detail which of the following water aspects are regularly measured and monitored and provide an explanation as to why or why not

Water aspect	% of sites/facilities/operations	Please explain
Water withdrawals- total volumes	76-100	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of normal facility management for our sites and is emphasized by ISO14001 certification in 93% of those sites. Monthly water data is input from all sites globally into our EHS data management system, which is checked quarterly and third party verified annually.
Water withdrawals- volume by sources	76-100	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of normal facility management for our sites and is emphasized by ISO14001 certification in 93% of those sites. Monthly water data is input from all sites globally into our EHS data management system, which is checked quarterly and third party verified annually.
Water discharges- total volumes	76-100	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of normal facility management for our sites and is emphasized by ISO14001 certification in 93% of those sites. Monthly water data is input from all sites globally into our EHS data management system, which is checked quarterly and third party verified annually.
Water discharges- volume by destination	76-100	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of normal facility management for our sites and is emphasized by ISO14001 certification in 93% of those sites. Monthly water data is input from all sites globally into our EHS data management system, which is checked quarterly and third party verified annually.
Water discharges- volume by treatment method	76-100	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of normal facility management for our sites and is emphasized by ISO14001 certification in 93% of those sites. Monthly water data is input from all sites globally into our EHS data management system, which is checked quarterly and third party verified annually.
Water discharge quality data- quality by standard effluent parameters	76-100	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of normal facility management for our sites and is emphasized by ISO14001 certification in 93% of those sites. Monthly water data is input from all sites globally into our EHS data management system, which is checked quarterly and third party verified annually.
Water consumption- total volume	76-100	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of normal facility management for our sites and is emphasized by ISO14001 certification in 93% of those sites. Monthly water data is input from all sites globally into our EHS data management system, which is checked quarterly and third party verified annually.
Facilities providing fully-functioning WASH services for all workers	76-100	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of normal facility management and is emphasized by ISO14001 and OHSAS18001 (health and safety management) certification in 93% of those sites. We use a global reporting requirement for water data with a central data collection system for all sites. Audits and inspections are undertaken to minimum requirements set by our documented standards.

W1.2a

Water withdrawals: for the reporting year, please provide total water withdrawal data by source, across your operations

Source	Quantity (megaliters/year)	How does total water withdrawals for this source compare to the last reporting year?	Comment
Fresh surface water	2.0	Much lower	There was a surface water decrease, which is in line with programs to reduce water-use. However, we expect that going forward; this number will increase since we just installed a new project to switch some of our operations in Switzerland to use more fresh surface water. The benefit is that instead of using drinkable water for the steam system, we will take about 160 megaliters of lake-water.
Brackish surface water/seawater	0	Not applicable	We do not currently use either brackish surface water or seawater.
Rainwater	0.6	Lower	This number was lower than last year, which generally is in line with programs to reduce water-use; however, for rainwater the reduction is mainly due to local changes in precipitation. Overall, is the amount of water we use in our direct operations is small.
Groundwater - renewable	1495.0	About the same	There was a small increase, but this is considered insignificant in the context of our total water use. Our groundwater sources come from wells and aquifers, which are metered, reported and verified annually by external auditors.
Groundwater - non-renewable	0	Not applicable	We do not currently use non-renewable groundwater.
Produced/process water	0	Not applicable	We do not currently use produced or process water.
Municipal supply	1943.9	Lower	Generally lower water withdrawal is in line with programs to reduce water-use. We estimate that we saved 107 megaliters across the 13 projects that we installed in 2016. This equates to approximately a 3% decrease in water use during a time when our production complexity continues to increase. Our actual water savings from municipal supply was closer to 12% suggesting that additional actions and behavior modifications occurred.
Wastewater from another organization	0	Not applicable	We do not currently use wastewater from another organization.
Total	3441.6	Lower	Generally lower water withdrawal is in line with programs to reduce water-use. We estimate

Source	Quantity (megaliters/year)	How does total water withdrawals for this source compare to the last reporting year?	Comment
			that we saved 107 megaliters across the 13 projects that we installed in 2016. This equates to approximately a 3% decrease in absolute water use during a time when our production continued to increase. Our actual water savings was closer to 6% suggesting that additional actions and behavior modifications occurred.

W1.2b

Water discharges: for the reporting year, please provide total water discharge data by destination, across your operations

Destination	Quantity (megaliters/year)	How does total water discharged to this destination compare to the last reporting year?	Comment
Fresh surface water	542.2	Higher	All water metrics are collected through our EHS data management system for all sites globally. This data is input monthly and checked quarterly and annually. There is some uncertainty with water discharges because not all sites are metering the fresh surface water discharge.
Brackish surface water/seawater	0	Not applicable	We do not currently discharge to either brackish surface water or seawater.
Groundwater	241.0	Lower	There is some uncertainty with water discharges because not all sites have this metered; however this reduction is generally from water reduction and reuse initiatives.
Municipal/industrial	1117.3	Lower	The majority of our operations are located in regions with Municipal or industrial wastewater

Destination	Quantity (megaliters/year)	How does total water discharged to this destination compare to the last reporting year?	Comment
wastewater treatment plant			treatment plants. Optimizing our osmosis water treatment plants and reusing rejected water are examples of initiatives implemented to reduce this water discharge in our factories. There is some uncertainty with water discharges because not all sites have this metered; however this reduction is generally from water reduction and reuse initiatives.
Wastewater for another organization	0	Not applicable	We do not currently provide wastewater to another organization.
Total	1900.5	Lower	There is some uncertainty with water discharges because not all sites have metered discharges; however this overall reduction of around 30 Megaliters per year is generally from water reduction and reuse initiatives. Optimizing our osmosis water treatment plants and reusing rejected water are examples of initiatives implemented to reduce this water discharge in our factories.

W1.2c

Water consumption: for the reporting year, please provide total water consumption data, across your operations

Consumption (megaliters/year)	How does this consumption figure compare to the last reporting year?	Comment
1541.1	Lower	Generally, lower water consumption is in line with the programs to reduce water use and reuse water at our sites. We anticipate with the introduction of our new RRP's which require more water for their manufacturing process, that we will consume more water in the next few years. Programs have been put in place to reduce the increased water impact over time.

W1.3

Do you request your suppliers to report on their water use, risks and/or management?

Yes

W1.3a

Please provide the proportion of suppliers you request to report on their water use, risks and/or management and the proportion of your procurement spend this represents

Proportion of suppliers %	Total procurement spend %	Rationale for this coverage
1-25	1-25	Of our blue water footprint, 42 percent goes to our Leaf irrigation program, 56 percent is used in our supply chain, and only 2 percent is used in our manufacturing sites. PMI has a large number of suppliers, but those most crucial to our business in terms of water risk are tobacco suppliers and farmers. Through our use of life-cycle assessment and our use of Quantis water footprint screening, we have identified our agricultural supply chain as currently having our largest potential environmental impacts. We have therefore prioritized these areas to engage with on water issues through the implementation of Good Agricultural Practices (GAP) which covers all of the 450,000 farmers that we work with across 30 countries globally and are a contractual requirement for tobacco suppliers doing business with PMI. GAP defines the principles and standards we expect to be met by all those who grow and supply tobacco for PMI. Our GAP Implementation Guide lays out extensive agricultural environmental practices and guidance covering sustainable water management and soil management/conservation. The results of these self-assessments is included in our supplier scorecards and used to make future decisions.

W1.3b

Please choose the option that best explains why you do not request your suppliers to report on their water use, risks and/or management

Primary reason	Please explain
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W1.4

Has your organization experienced any detrimental impacts related to water in the reporting year?

No

W1.4a

Please describe the detrimental impacts experienced by your organization related to water in the reporting year

Country	River basin	Impact driver	Impact	Description of impact	Length of impact	Overall financial impact	Response strategy	Description of response strategy
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W1.4b

Please choose the option below that best explains why you do not know if your organization experienced any detrimental impacts related to water in the reporting year and any plans you have to investigate this in the future

Primary reason	Future plans
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Further Information

Water metrics are collected through our EHS data management system for all sites globally. This data is input monthly, checked quarterly and verified annually. There is a very low level of uncertainty for water withdrawals as these sources are metered.

Module: Risk Assessment

Page: W2. Procedures and Requirements

W2.1

Does your organization undertake a water-related risk assessment?

Water risks are assessed

W2.2

Please select the options that best describe your procedures with regard to assessing water risks

Risk assessment procedure	Coverage	Scale	Please explain
Comprehensive company-wide risk assessment	Direct operations and supply chain	All facilities and suppliers	Managing water risks is essential to our business. Our approach includes several layers of risk assessments to identify, mitigate and manage risks across the business at a corporate, site, and supply chain level for our operations worldwide. We completed a Climate Change Risk Assessment

Risk assessment procedure	Coverage	Scale	Please explain
			<p>(CCRA) and high risk focus areas around the world were identified in our own operations, distribution channels, and key suppliers. The CCRA covered all geographies where we do business. Extremes of weather such as flooding and drought as well as gradual changes in precipitation and water scarcity were all evaluated. As part of this assessment, we use the WRI Aqueduct Water Risk Tool to consider water-related risks, and the WBCSD Global Water Tool to identify where our operations were subject to watershed level water stress. We will continue to assess which of these tools (or new ones) are fit for our purpose each year as they continue to evolve. In addition, water supply and flood risk assessments are undertaken at each site (typically ISO14001 certified sites) to understand how vulnerable these sites are to water related risk and local flooding events (e.g. Philippines). Water risk management is a fundamental part of our Good Agricultural Practices and covers management requirements for water quality, water abstraction, water efficiency and water discharges, all based on risk assessment.</p>

W2.3

Please state how frequently you undertake water risk assessments, at what geographical scale and how far into the future you consider risks for each assessment

Frequency	Geographic scale	How far into the future are risks considered?	Comment
Annually	Country	>6 years	Review of our Climate Change Risk Assessment
Annually	River basin	1 to 3 years	Facility long range planning
Annually	River basin	>6 years	<p>We have just embarked on a water shed risk assessment in a basin where vertically integrated leaf crops and a complex production facility are present. With its results we are planning to develop a broader water stewardship strategy which will incorporate the findings from the climate risk assessment in order to better understand our exposure to changes in water availability in the future at a catchment and thereby develop measures to support farmers and/or remove the risk from our supply chain.</p>

W2.4

Have you evaluated how water risks could affect the success (viability, constraints) of your organization's growth strategy?

Yes, evaluated over the next 1 year

W2.4a

Please explain how your organization evaluated the effects of water risks on the success (viability, constraints) of your organization's growth strategy?

We completed a Climate Change Risk Assessment (CCRA) with the company ERM across our value chain and focus areas have been identified in both our own operations, distribution channels and key suppliers. Extremes of weather such as flooding and drought as well as gradual changes in precipitation and water scarcity were all evaluated in our CCRA in terms of their corresponding business impact and how that impact is likely to change in the short, medium, and long term.

For example, as a result of the CCRA, we decided to implement the Alliance for Water Stewardship (AWS) standard at river basin level (as relevant for factories and tobacco growing) as a key step in implementing our strategy. Brazil, has been chosen as a pilot due to PMI's complex factory operations and vertically integrated local farms so that we can develop our knowledge and tools to drive the implementation of the AWS standard at the pilot location and thereafter globally.

A water footprint screening done with Quantis across our value chain, highlighted the importance of water in our paper and cellulose acetate suppliers. As a result, we have designed a plan to engage with different key suppliers to better understand their water usage, sourcing and manufacturing location, projects for water reduction and how can we collaborate to further reduce their impact. In a near future, we are developing the concept of a supplier scorecard that considers CO2 and water usage as part of our supplier selection criteria.

Besides, the CCRA was used to map those sites with the highest water stress and water drought risks. Using the recently approved central governance for environmental investments, projects from these higher risks sites will be prioritized and local budget restrictions will be overcome.

In order to identify water opportunities, a water self-assessment tool was developed containing those initiatives that have been proved as the most efficient in saving water. The tool was used to assess all our sites last year and as a result specific local action plans were created and several local projects were implemented or are in the process to be implemented.

Our growth strategy has not been influenced, but the information collected the risks assessments allows us to influence in the selection of future sites, product design and sourcing and better allocate resources to water stressed areas.

W2.4b

What is the main reason for not having evaluated how water risks could affect the success (viability, constraints) of your organization's growth strategy, and are there any plans in place to do so in the future?

Main reason	Current plans	Timeframe until evaluation	Comment

W2.5

Please state the methods used to assess water risks

Method	Please explain how these methods are used in your risk assessment
Internal company knowledge WRI Aqueduct Other: Company-wide climate change risk assessment	PMI has several initiatives and methods to assess and manage water risks. Internal company knowledge and expertise is used to identify and prioritise the most critical sites (e.g. by production volume, distribution or previously experienced events) and value chain operations for PMI. In addition, site specific flood risk assessments, ISO 14001 certification and our Good Agricultural Practices (standards for tobacco suppliers and farmers who supply to PMI), are used by business managers to identify and manage water risks. These are all brought together through a company-wide risk review process. PMI has also commissioned independent experts to complete a climate change risk assessment (CCRA), which was updated in July 2015. This study identified future changes in climate and water factors (drought, flooding, cyclones) for all regions where PMI's direct operations and value chain operations are highlighted areas of risk. To look at water risks beyond just climate change, we also used the WRI Aqueduct tool to assess all manufacturing, port, and leaf production sites. The internal prioritization according to business risk, aqueduct risk, and CCRA were analysed to shortlist locations with a higher water related risk.

W2.6

Which of the following contextual issues are always factored into your organization's water risk assessments?

Issues	Choose option	Please explain
Current water availability and quality parameters at a local level	Relevant, included	Relative to other industries, we withdraw small volumes of water for use at our manufacturing facilities and a large proportion of the use is for staff and green spaces rather than being process-related. This is factored into company level risk assessment initiatives through use of internal company knowledge of local conditions and regulations.
Current water regulatory frameworks and tariffs at a local level	Relevant, included	This is factored into company level risk assessment initiatives through use of internal company knowledge on water abstraction and discharge consents.
Current stakeholder conflicts concerning water resources at a local level	Relevant, included	This is factored into company level risk assessment initiatives through use of internal company understanding of supply and demand issues. Another important part of our precautionary approach to environmental challenges is dealing with water quality and scarcity.
Current implications of water on your key commodities/raw materials	Relevant, included	We are expanding our water programs by first assessing current and future water-related risks more broadly across our value chain. These risks include water scarcity and water quality in tobacco growing regions, flood risk in major tobacco warehouse locations and ports, and water demand in cities where we have manufacturing facilities. Since our products are based on agricultural raw materials and paper-based materials are also important. This is factored into company level risk assessment initiatives through our Good Agricultural Practices and engagement activities with key tobacco and clove suppliers, CCRA, and use of water risk tools. As with other agricultural commodities, the price of tobacco leaf and cloves can be influenced by imbalances in supply and demand, and crop quality can be influenced by variations in weather patterns, including those caused by climate change. Any significant change in tobacco leaf and clove prices, quality and quantity could affect our profitability and our business.
Current status of ecosystems and habitats at a local level	Relevant, included	This is factored into company level risk assessment initiatives as part of our Good Agricultural Practices.
Current river basin management plans	Relevant, included	This is factored into company level risk assessment initiatives and as part of our Good Agricultural Practices and use of water risk tools such as the WRI Aqueduct tool.
Current access to fully-functioning WASH services for all employees	Relevant, included	This is factored into company level risk assessment initiatives as part of our ISO14001 and OHSAS18001 programs and minimum EHS requirements.
Estimates of future changes in water availability at a local level	Relevant, included	This is factored into company level risk assessment initiatives through our long term climate change risk assessment (CCRA) and as part of our Good Agricultural Practices.
Estimates of future potential regulatory changes at a local level	Relevant, included	This is factored into company level risk assessment initiatives through use of internal company knowledge on water abstraction and discharge consents.
Estimates of future potential stakeholder conflicts at a local level	Relevant, included	This is factored into company level risk assessment initiatives through use of internal company understanding of supply and demand issues.
Estimates of future implications of water on your key commodities/raw materials	Relevant, included	Our products are based on agricultural raw materials and paper-based materials are also important. This is factored into company level risk assessment initiatives through our Good Agricultural Practices and engagement activities with key tobacco and clove suppliers, CCRA and use of water risk tools.

Issues	Choose option	Please explain
Estimates of future potential changes in the status of ecosystems and habitats at a local level	Relevant, included	This is factored into company level risk assessment initiatives and as part of our Good Agricultural Practices.
Scenario analysis of availability of sufficient quantity and quality of water relevant for your operations at a local level	Relevant, included	This is factored into company level risk assessment initiatives through long term climate change risk assessment, as part of our Good Agricultural Practices and by using water risk tools.
Scenario analysis of regulatory and/or tariff changes at a local level	Relevant, included	This is factored into company level risk assessment initiatives through use of internal company knowledge on water abstraction and discharge consents.
Scenario analysis of stakeholder conflicts concerning water resources at a local level	Relevant, included	This is factored into company level risk assessment initiatives as appropriate through use of internal company understanding of supply and demand issues.
Scenario analysis of implications of water on your key commodities/raw materials	Relevant, included	Our products are based on agricultural raw materials and paper-based materials are also important. This is factored into company level risk assessment initiatives through our Good Agricultural Practices and engagement activities with key tobacco and clove suppliers, CCRA and use of water risk tools.
Scenario analysis of potential changes in the status of ecosystems and habitats at a local level	Relevant, included	This is factored into company level risk assessment initiatives as appropriate and as part of our Good Agricultural Practices.
Other	Not relevant, explanation provided	There are no other water related issues that we have identified.

W2.7

Which of the following stakeholders are always factored into your organization's water risk assessments?

Stakeholder	Choose option	Please explain
Customers	Relevant, included	We are increasingly using life-cycle assessment (LCA) thinking to evaluate options for reducing environmental impacts throughout the entire life-cycle of our products. This means looking at the environmental impact associated

Stakeholder	Choose option	Please explain
		with product use and packaging. Considering the transformation of our business with the introduction of our new product offering, Reduced-Risk Products (RRPs), we will expand our LCA to cover the new suite of products including review of water risks.
Employees	Relevant, included	We engage our employees in water usage and water saving initiatives. Through our objective setting, Long-Range Planning process and via employee communications, sharing of tools, guidance and best practices. We gave senior management briefings to all operations employees on sustainability in 2016 and run specific focus days and campaigns. An example of awareness sessions are annual eco-weeks held in our sites including initiatives like planting trees, recipes for homemade natural soap or advices on saving water at home. Specific company awards such as the Chairman's Award and Excellence Awards, which are either cash or stock, are available for EHS Managers, project teams and other employees who are responsible for water related initiatives and improvements.
Investors	Relevant, included	We receive numerous requests annually for information on our sustainability programs as a whole and have opted to respond to the CDP Water Information Request to provide investors with more information and transparency around our water risk management for our direct operations and supply chain.
Local communities	Relevant, included	Over the next year, we hope to work with communities on three basic principles - water preservation, innovation, and engagement. Especially for tobacco-growing, we expect our affiliates and suppliers to have a water management plan that takes into account the use and management of water for tobacco production to minimize adverse impacts to other users within water catchment areas, including local communities. The plans also cover access to adequate, clean water for drinking, cooking, bathing, and cleaning purposes for local communities, workers, and their families.
NGOs	Relevant, included	We work on the UN Global Compact and have published our first communication on progress to the United Nations Global Compact, reporting comprehensively on our sustainability practices across human rights, labor rights, environment and anticorruption. We remain committed to the UN Global Compact which we signed-up to in 2015 and issued our first Communication on Progress in June 2016 which we use as an engagement tool along with signing up to UNGC Local Networks around the world; our next Communication on Progress will be published in September 2017. We are also part of the World Business Council for Sustainable Development (WBCSD), the WeMeanBusiness coalition, and since participating in the UNFCCC COP21 in Paris, we have continued to engage externally regarding our commitments on climate change adaptation and water, including our support for the Paris Agreement.
Other water users at a local level	Relevant, included	Over the next year, we hope to work with communities on three basic principles - water preservation, innovation, and engagement. Especially for tobacco-growing, we expect our affiliates and suppliers to have a water management plan that takes into account the use and management of water for tobacco production to minimize adverse impacts to other users within water catchment areas, including local communities. The plans also cover access to adequate, clean water for drinking, cooking, bathing, and cleaning purposes for local communities, workers, and their families. Beyond just thinking about the community, we are also considering other water users at the local level and working to retain our social license to operate.
Regulators	Relevant, included	Effective environmental management across our operations and value chain ensures that PMI complies with laws and regulations. In particular, some of the regulations that we are subject to includes water abstraction, management and discharge consents.

Stakeholder	Choose option	Please explain
River basin management authorities	Relevant, included	We work with river basin management authorities when appropriate. Annually all our factories are assed by ISO14001 allowing our sites to align with current and upcoming local river basin management regulations associated with water withdrawals and wastewater.
Statutory special interest groups at a local level	Relevant, included	We work with local special interest groups as appropriate. For example, through specific contributions in 2016, PMI supported projects to protect and enhance natural resources, implement conservation agriculture, provide clean water, cater for food security, and improve the livelihoods of people living in rural communities. Working with the Ethiopia Red Cross Society, PMI provided food and clean water to young children and pregnant mothers in response to the severe drought that hit the country. The project also included awareness-raising on good sanitation practices and the provision of hygiene materials. In response to PMI's donation, the Ethiopian Deputy Prime Minister recognized our company for being the first multinational to step forward and contribute.
Suppliers	Relevant, included	By engaging with suppliers, we are working with them to be more resilient. This is factored into company level risk assessment initiatives through our Good Agricultural Practices and engagement activities with key tobacco and clove suppliers, CCRA, and use of water risk tools.
Water utilities at a local level	Relevant, included	We work closely with local water utilities to track and manage our water usage at large facilities. Where possible, we work to integrate water efficiency projects and reduce our footprint. A water self-assessment tool has been developed and is used to assess annually all our manufacturing centers serving as a great source for water saving initiatives.
Other	Not relevant, explanation provided	There are no other water related stakeholders that we work with at this time

W2.8

Please choose the option that best explains why your organisation does not undertake a water-related risk assessment

Primary reason	Please explain
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Further Information

Module: Implications

Page: W3. Water Risks

W3.1

Is your organization exposed to water risks, either current and/or future, that could generate a substantive change in your business, operations, revenue or expenditure?

Yes, direct operations and supply chain

W3.2

Please provide details as to how your organization defines substantive change in your business, operations, revenue or expenditure from water risk

In relation to substantive change, we refer to materiality - material issues are identified in a multidisciplinary way and include those which:

- have the highest potential impact and a realistic probability of occurrence;
- are most relevant to our enterprises and geographic locations; and
- are most important to our stakeholders.

In 2020+ risk forecasting terms, higher level risks are defined as those with a potential impact in excess of US\$5M or a raw material impact in excess of 1000 metric tonnes of tobacco leaves. These apply to both our direct operations and our tobacco supply chain.

Over the last couple of years, we have been expanding our water programs by first assessing current and future water-related risks more broadly across our value chain. These risks include water scarcity and water quality in tobacco growing regions, flood risk in major tobacco warehouse locations and ports, and water demand in cities where we have manufacturing facilities.

W3.2a

Please provide the number of facilities* per river basin exposed to water risks that could generate a substantive change in your business, operations, revenue or expenditure; and the proportion of company-wide facilities this represents

Country	River basin	Number of facilities exposed to water risk	Proportion of company-wide facilities that this represents (%)	Comment
Poland	Wisla	1	1-5	
Indonesia	Other: RIVER BASINS	1	1-5	
Philippines	Other: RIVER BASINS	2	1-5	

W3.2b

For each river basin mentioned in W3.2a, please provide the proportion of the company's total financial value that could be affected by water risks

Country	River basin	Financial reporting metric	Proportion of chosen metric that could be affected	Comment
Poland	Wisla	% global production volume	6-10	
Indonesia	Other: RIVER BASINS	% global production volume	6-10	
Philippines	Other: RIVER BASINS	% global production volume	6-10	

W3.2c

Please list the inherent water risks that could generate a substantive change in your business, operations, revenue or expenditure, the potential impact to your direct operations and the strategies to mitigate them

Country	River basin	Risk driver	Potential impact	Description of potential impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
Poland	Wisla	Physical-Flooding	Plant/production disruption leading to reduced output	Despite a municipal plan started in 2007 to prevent flooding, in 2010, a major flood caused several deaths and affected homes, roads and infrastructure. Potential for flooding of our manufacturing location, based on company assessment of long term climate change risk updated in 2015.	>6 years	Unlikely	Low	Develop flood emergency plans Infrastructure maintenance Promote best practice and awareness Water management incentives	Less than \$1M	The cost of response strategies is estimated based on the cost of external providers used to assess flood and business continuity risk each year and related staff costs. Flood risk assessments are undertaken at the site level to understand how vulnerable sites are to local flooding events. Understanding the scale and nature of this risk is an important initial step in managing the

Country	River basin	Risk driver	Potential impact	Description of potential impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										<p>risk. As well as undertaking a risk assessment process, our insurance and business continuity management plans are designed to mitigate the impacts associated with disruptions that may result from flooding events. Our operations are widely distributed across the world, helping to mitigate the effects of any disruption. We have a sophisticated capacity and footprint planning process which</p>

Country	River basin	Risk driver	Potential impact	Description of potential impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										mitigates against local or regional operations disturbances.
Indonesia	Other: RIVER BASINS	Physical-Flooding Physical-Projected water stress	Plant/production disruption leading to reduced output	Potential for flooding of manufacturing location, based on company assessment of long term climate change risk updated in 2015.	>6 years	Unlikely	Low-medium	Develop flood emergency plans Engagement with suppliers Infrastructure maintenance Promote best practice and awareness Water management incentives	Less than \$1M	The cost of response strategy is estimated based on the cost of external providers used to assess flood and business continuity risk each year and related staff costs. Flood risk assessments are undertaken at the site level to understand how vulnerable sites are to local flooding events. Understanding the scale and nature of this

Country	River basin	Risk driver	Potential impact	Description of potential impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										<p>risk is an important initial step in managing the risk. As well as undertaking a risk assessment process, our insurance and business continuity management plans are designed to mitigate the impacts associated with disruptions that may result from flooding events. Our operations are widely distributed across the world, helping to mitigate the effects of any disruption. We have a sophisticated</p>

Country	River basin	Risk driver	Potential impact	Description of potential impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										capacity and footprint planning process which mitigates against local or regional operations disturbances.
Philippines	Other: RIVER BASINS	Physical-Flooding	Plant/production disruption leading to reduced output	Potential for impacts from cyclones causing loss to manufacturing locations and associated supply chain disruption, based on long term climate change risk assessment updated in 2015.	>6 years	Probable	Medium	Develop flood emergency plans Infrastructure maintenance Promote best practice and awareness Use of risk transfer instruments Water management incentives	The threat of flooding and cyclones in the Philippines could cause damage in our manufacturing and warehouse sites (estimate US\$10-20M).	The cost of response strategy is estimated based on the cost of external providers used to assess flood and business continuity risk each year and related staff costs. Flood risk assessments are undertaken at the site level to understand how vulnerable sites are to local flooding

Country	River basin	Risk driver	Potential impact	Description of potential impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										<p>events. Understanding the scale and nature of this risk is an important initial step in managing the risk. As well as undertaking a risk assessment process, our insurance and business continuity management plans are designed to mitigate the impacts associated with disruptions that may result from flooding events. Our operations are widely distributed across the world, helping to mitigate the</p>

Country	River basin	Risk driver	Potential impact	Description of potential impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										effects of any disruption. We have a sophisticated capacity and footprint planning process which mitigates against local or regional operations disturbances. Also our Special Situation Management System for dealing with unforeseen impacts.

W3.2d

Please list the inherent water risks that could generate a substantive change in your business operations, revenue or expenditure, the potential impact to your supply chain and the strategies to mitigate them

Country	River basin	Risk driver	Potential impact	Description of potential impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
Indonesia	Other: RIVER BASINS	Physical-Climate change Physical-Flooding	Supply chain disruption	The supplies of tobacco leaf in Indonesia are exposed to physical climate change risks, with cyclones and flooding being most critical. Crop losses, quality impacts and supply chain manufacturing restrictions could impact PMI's production and sourcing strategy. This could change our crop buying pattern and result in increased operational cost. Also, clove is an important raw material for PMI to use in our local kretek brands. Indonesia produces over	>6 years	Probable	Medium	Engagement with suppliers Infrastructure investment Supplier diversification	We have engaged with our clove suppliers to improve crop management practices and are strengthening our supply chain for clove at an overall cost of several tens of millions US\$. The estimated cost is also based on program management for Good Agricultural Practices implementation.	The potential impacts are based on a long term climate change risk assessment. Our tobacco supply chain is widely spread around the world, which helps to mitigate against climate related risks; there is also some flexibility in terms of the potential to relocate tobacco crops if some growing areas become more favorable than others. In addition, our substantial inventories of tobacco leaf can help to mitigate against short term impacts. We have engaged with our clove suppliers to improve crop management practices and are strengthening our

Country	River basin	Risk driver	Potential impact	Description of potential impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
				70% of the world's cloves. Clove yields are complex; harvests can vary by up to 60% over a 4 year harvest cycle. Clove production is weather sensitive, climate changes such as intensification of the wet season could impact clove growing areas. This would reduce the supply and increase the price of cloves.						supply chain for clove at an overall cost of several tens of millions US\$. The estimated cost is also based on program management for Good Agricultural Practices implementation.
Pakistan	Other: RIVER BASINS	Physical-Climate change Physical-Drought	Supply chain disruption	Tobacco leaf growing is strongly influenced by physical climate change such as changes in temperature and precipitation.	>6 years	Unlikely	Low	Engagement with suppliers Infrastructure investment Supplier diversification	\$1-5M	The potential impacts are based on a long term climate change risk assessment. Our tobacco supply chain is widely spread around the world,

Country	River basin	Risk driver	Potential impact	Description of potential impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
				Increased drought / flooding could disturb the tobacco leaf life cycle stages (seedling, transplanting, growing, harvesting). The yield, quality and availability of the tobacco crop could be influenced by changes in precipitation and periods of drought. This could change our crop buying pattern and result in increased operational cost.						which helps to mitigate against climate related risks; there is also some flexibility in terms of the potential to relocate tobacco crops if some growing areas become more favorable than others. In addition, our substantial inventories of tobacco leaf can help to mitigate against short term impacts. Also, through our Good Agricultural Practices we include water management actions and support farming communities with water supply projects at a global cost of several million US\$.
Philippines	Other:	Physical-	Supply	The supplies of	>6 years	Probable	Medium	Engagement	\$10M +	Our tobacco

Country	River basin	Risk driver	Potential impact	Description of potential impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
	RIVER BASINS	Climate change Physical-Drought Physical-Flooding	chain disruption	tobacco leaf in Philippines are exposed to physical climate change risks, with flooding, drought and cyclones being possible. Crop losses, quality impacts and supply chain manufacturing restrictions could impact PMI's production and sourcing strategy. This could change our crop buying pattern and result in increased operational cost.				with suppliers Infrastructure investment Supplier diversification		supply chain is widely spread around the world, which helps to mitigate against climate related risks; there is also some flexibility in terms of the potential to relocate tobacco crops if some growing areas become more favorable than others. In addition, our substantial inventories of tobacco leaf can help to mitigate against short term impacts. We have engaged with our tobacco suppliers to improve crop management practices and are strengthening our supply chain for tobacco at an overall cost of several tens of millions US\$. The

Country	River basin	Risk driver	Potential impact	Description of potential impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										estimated cost is based on program management for Good Agricultural Practices implementation.

W3.2e

Please choose the option that best explains why you do not consider your organization to be exposed to water risks in your direct operations that could generate a substantive change in your business, operations, revenue or expenditure

Primary reason	Please explain
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W3.2f

Please choose the option that best explains why you do not consider your organization to be exposed to water risks in your supply chain that could generate a substantive change in your business, operations, revenue or expenditure

Primary reason	Please explain
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W3.2g

Please choose the option that best explains why you do not know if your organization is exposed to water risks that could generate a substantive change in your business operations, revenue or expenditure and discuss any future plans you have to assess this

Primary reason	Future plans
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Further Information

Page: W4. Water Opportunities

W4.1

Does water present strategic, operational or market opportunities that substantively benefit/have the potential to benefit your organization?

Yes

W4.1a

Please describe the opportunities water presents to your organization and your strategies to realize them

Country or region	Opportunity	Strategy to realize opportunity	Estimated timeframe	Comment
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Country or region	Opportunity	Strategy to realize opportunity	Estimated timeframe	Comment
Company-wide	Increased brand value Improved community relations Social licence to operate	PMI targets continuous improvement in environmental sustainability performance, including water issues, through our Good Agricultural Practices program, our EHS Principles and Practices, environmental strategy and related objectives. Environmental Sustainability also forms part of our charitable giving programs.	1-3 years	We expect that by tackling sustainability and climate change issues appropriately, our company reputation could be enhanced.
Company-wide	Improved water efficiency	We set water use reduction targets for all PMI manufacturing facilities to drive progress towards our goal to achieve a 20% reduction in water use by 2015 (per million cigarettes equivalent, from a 2010 baseline). In 2015, we beat that target, achieving a 24% reduction and now focusing on a minimum 1% year-year reduction in the short term, with additional focus on operations present in water scarce areas. Our improvements in water efficiency, conservation and recycling at PMI manufacturing facilities are driven by a water reduction target. Through the water reduction projects we saved 107 megaliters and approximately \$155,000 in 2016. As an example, since 2010, our Quebec facility has decreased its water consumption by over 81% - by the end of 2016 it saved more than 450,000 m3 of water. The main project that led to this reduction was the implementation of closed loop cooling systems. Though these opportunities are not currently considered substantial in relation to PMI's operations, revenue or expenditure, opportunities are still sought out because meeting our targets and becoming more efficient are important to us.	1-3 years	We expect that by tackling sustainability and climate change issues appropriately, our company reputation could be enhanced
Company-wide	Ensuring supply chain resilience Improved water efficiency	Since the majority of our water risks are in our supply chain, we have been working with our farmers to promote sustainable water management practices. Since 2002, we have developed a Good Agricultural Practices program (GAP), and defined as a contractual requirement for doing business with PMI. GAP defines the principles and standards we expect to be met by all those who grow and supply tobacco for PMI. Our GAP Implementation Guide lays out extensive agricultural environmental practices and guidance covering sustainable water management and soil management/conservation. PMI supports and expects all of its' suppliers to continuously improve in the implementation of GAP. Suppliers conduct annual self-assessments of their GAP implementation and are provided with a management tool and set of measurable standards against which they rate themselves. Further, the information resulting from the farm by farm monitoring is consolidated into Key Performance Indicators that are used to assess suppliers' improvement in GAP over time. GAP is also monitored by third parties to verify	>6 years	Good water and irrigation management has a positive effect on crop yield and helps minimize uncertainty in supply.

Country or region	Opportunity	Strategy to realize opportunity	Estimated timeframe	Comment
		supplier self-assessments every 3 years. We support farmers in the implementation of practices to improve the productivity and the quality of their crops, reduce the impact on the environment, and achieve safe and fair working conditions. Over 3,500 field technicians support farmers with knowledge transfer, access to inputs, technology and financing, and monitor adherence to our standards.		

W4.1b

Please choose the option that best explains why water does not present your organization with any opportunities that have the potential to provide substantive benefit

Primary reason	Please explain
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W4.1c

Please choose the option that best explains why you do not know if water presents your organization with any opportunities that have the potential to provide substantive benefit

Primary reason	Please explain
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Further Information

Module: Accounting

Page: W5. Facility Level Water Accounting (I)

W5.1

Water withdrawals: for the reporting year, please complete the table below with water accounting data for all facilities included in your answer to W3.2a

Facility reference number	Country	River basin	Facility name	Total water withdrawals (megaliters/year) at this facility	How does the total water withdrawals at this facility compare to the last reporting year?	Please explain
Facility 1	Poland	Wisla	Philip Morris Polska	162.7	Lower	We reduced water use by increasing osmosis plant filtration effectiveness by 20% by installation of additional set of membranes. This allowed us to save more than 2 megaliters/year.
Facility 2	Indonesia	Other: RIVER BASINS	PT Philip Morris Indonesia	796.3	About the same	A successful set of projects including recovering backwash from our Waste Water Treatment plant allowed us to keep water consumption flat.
Facility 3	Philippines	Other: RIVER BASINS	PMFTC Batangas	197.1	Lower	Different initiatives for reducing water use and increased water recovery allowed us to save more than 16 megaliters/year (8%) vs last year.
Facility 4	Philippines	Other: RIVER BASINS	PMFTC Marikina	215.1	Much lower	Different initiatives for reducing water use and increase water recovery along a slight production volume reduction allowed us to save 66 megaliters/year (24%) vs last year.

Further Information

Page: W5. Facility Level Water Accounting (II)

W5.1a

Water withdrawals: for the reporting year, please provide withdrawal data, in megaliters per year, for the water sources used for all facilities reported in W5.1

Facility reference number	Fresh surface water	Brackish surface water/seawater	Rainwater	Groundwater (renewable)	Groundwater (non-renewable)	Produced/process water	Municipal water	Wastewater from another organization	Comment
Facility 1	0	0	0	0	0	0	162.7	0	
Facility 2	2.0	0	0	511.2	0	0	283.0	0	
Facility 3	0	0	0	171.4	0	0	25.7	0	
Facility 4	0	0	0	0	0	0	215.1	0	

W5.2

Water discharge: for the reporting year, please complete the table below with water accounting data for all facilities included in your answer to W3.2a

Facility reference number	Total water discharged (megaliters/year) at this facility	How does the total water discharged at this facility compare to the last reporting year?	Please explain
Facility 1	120.0	About the same	No change
Facility 2	477.8	About the same	Substitution of water cooled for air cooled vacuum pumps and Backwash WTP recovery reduced water discharged that was compensated by an increase in the factory complexity.

Facility reference number	Total water discharged (megaliters/year) at this facility	How does the total water discharged at this facility compare to the last reporting year?	Please explain
Facility 3	94.5	Lower	Multiple water reduction projects including process optimizations were carried out in the factory
Facility 4	8.1	About the same	No change

W5.2a

Water discharge: for the reporting year, please provide water discharge data, in megaliters per year, by destination for all facilities reported in W5.2

Facility reference number	Fresh surface water	Municipal/industrial wastewater treatment plant	Seawater	Groundwater	Wastewater for another organization	Comment
Facility 1	0	120.0	0	0	0	
Facility 2	307.4	170.3	0	0	0	
Facility 3	0	94.5	0	0	0	
Facility 4	0	8.1	0	0	0	

W5.3

Water consumption: for the reporting year, please provide water consumption data for all facilities reported in W3.2a

Facility reference number	Consumption (megaliters/year)	How does this compare to the last reporting year?	Please explain
Facility 1	42.7	Lower	The water consumption decreased from 47.3 to 42.7 megaliters, resulting in a decrease of 10%.
Facility 2	318.5	About the same	No change
Facility 3	102.5	Lower	The water consumption decreased from 108.9 to 102.5 megaliters, resulting in a decrease of 6%.
Facility 4	206.9	Much lower	The water consumption decreased from 273.7 to 206.9 megaliters, resulting in a decrease of 24% as a result of different initiatives for reducing water use and increase water recycling along a slight production decrease.

W5.4

For all facilities reported in W3.2a what proportion of their water accounting data has been externally verified?

Water aspect	% verification	What standard and methodology was used?
Water withdrawals- total volumes	76-100	100% of manufacturing sites had their water KPIs verified by SGS United Kingdom Limited (SGS) to their sustainability data assurance process during annual verification.
Water withdrawals- volume by sources	Not verified	We do not verify water withdrawals.
Water discharges- total volumes	Not verified	Water discharges are monitored at some sites and others are estimated. Then all of them are reported centrally. We do not verify externally water discharges as part of our assurance procedures.
Water discharges- volume by destination	Not verified	Water discharges are monitored at some sites and others are estimated. Then all of them are reported centrally. We do not verify externally water discharges as part of our assurance procedures.
Water discharges- volume by treatment method	Not verified	Water discharges are monitored at some sites and others are estimated. Then all of them are reported centrally. We do not verify externally water discharges as part of our assurance procedures.
Water discharge quality data- quality by standard effluent	1-25	Individual facility data may be verified by local regulators according to legal requirements. Not all sites globally have metered water discharges

Water aspect	% verification	What standard and methodology was used?
parameters		
Water consumption- total volume	Not verified	Some affiliates have an online global metering and targeting system (GEMT) installed and are able to calculate water consumption and report this data centrally, other sites just estimate their water consumption. We do not verify externally water consumption as part of our assurance procedures.

Further Information

Module: Response

Page: W6. Governance and Strategy

W6.1

Who has the highest level of direct responsibility for water within your organization and how frequently are they briefed?

Highest level of direct responsibility for water issues	Frequency of briefings on water issues	Comment
Board of individuals/Sub-set of the Board or other committee appointed by the Board	Scheduled - twice per year	The Board is given an update at least twice a year on environment-related progress and future steps with regards to the environment and climate change, including related risks and opportunities

W6.2

Is water management integrated into your business strategy?

Yes

W6.2a

Please choose the option(s) below that best explains how water has positively influenced your business strategy

Influence of water on business strategy	Please explain
Establishment of sustainability goals	Changes in climate and water availability, which could impact (i.e. reduce yields and/or quality) sensitive crops such as tobacco and clove, are important for our business strategy. The outcome of this impact is that PMI has developed a water strategy that is split into two main areas: (i) Minimizing our impact on the environment through water use reduction initiatives; and (ii) Minimizing the future environmental impact on our business through a water and climate change risk assessment process. In 2015, for the first time, PMI recognized its factories for outstanding achievements in minimizing water use, and for their contributions to our 2015 goal of reducing water consumption in our manufacturing facilities by 20% vs 2010 levels. From the 71 entries received from across our regions, Germany, Colombia, and Canada were awarded top honors. Our factory in Berlin managed to improve water-use efficiency by 14%, through a combination of focused workshops, awareness programs, and focus meetings. Our tobacco-leaf processing operations in Colombia demonstrated that smaller facilities can also make big improvements by implementing daily consumption monitoring, leak detection, behavioral changes, and low-cost solutions such as flow inhibitors to save water. Since 2010, our Quebec facility has decreased its water consumption by 79%, and by the end of 2015 it saved 300,000 m3 of water. https://www.pmi.com/sustainability/pmi-and-the-environment/sustainable-water-management
Introduction of water management KPIs	We set water use reduction targets for all PMI manufacturing facilities to drive progress towards our goal to achieve a 20% reduction in water use by 2015 (per million cigarettes equivalent, from a 2010 baseline). In 2015, we beat that target, achieving a 24% reduction and now focusing on a minimum 1% year-year reduction in the short term, with additional focus on operations present in water scarce areas. Our improvements in water efficiency, conservation and recycling at PMI manufacturing facilities are driven by a water reduction target. Through the water reduction projects we saved 107 megaliters and approximately \$155,000 in 2016.

W6.2b

Please choose the option(s) below that best explains how water has negatively influenced your business strategy

Influence of water on business strategy	Please explain
Increased capital expenditure	<p>The level of negative influence of water is not currently material to our business although some increased capital expenditure has to be mentioned. Water cost are in general low in the countries we operate and extra effort needs to be put in order to overcome long or no paybacks. In 2017 we have established a central governance for sustainability projects that will enable to push forward water related projects. In 2016 in Indonesia with a USD 0.05/m³ water cost we replaced some of the underground piping in our factory to reduce 600 m³/year of water losses. Reducing emissions to water has driven increased capital expenditures into wastewater treatment plants and analytical instrumentation. Our factories in Poland, Germany and Indonesia have gone through optimization process to recover water backwash water and our factory in Zola Predosa (Italy) is equipped with an online WWTP inlet/outlet monitoring to detect chemical oxygen demand continuously and to be able to take measures if necessary. We continue to actively manage water opportunities and risks and will continue to assess our vulnerabilities to water risks. We note that we discuss broader influences on our business within our CDP Climate Change disclosure.</p>

W6.2c

Please choose the option that best explains why your organization does not integrate water management into its business strategy and discuss any future plans to do so

Primary reason	Please explain

W6.3

Does your organization have a water policy that sets out clear goals and guidelines for action?

Yes

W6.3a

Please select the content that best describes your water policy (tick all that apply)

Content	Please explain why this content is included
Publicly available Company-wide Performance standards for direct operations Performance standards for supplier, procurement and contracting best practice Commitment to customer education Incorporated within group environmental, sustainability or EHS policy Acknowledges the human right to water, sanitation and hygiene	We are committed to the responsible and sustainable management of water to help conserve this resource globally as we public declare in our Communication on Progress to the UN Global Compact. In tobacco-growing, we expect our affiliates and suppliers to have a water management plan that takes into account the locations that are most at risk from water scarcity and promotes efficient water use and renewability of sources. These plans address the use and management of water for tobacco production to minimize adverse impacts to other users within water catchment areas, including local communities. The plans also cover access to adequate, clean water for drinking, cooking, bathing, and cleaning purposes for local communities, workers, and their families. To track performance, we set minimum requirements for our own direct manufacturing facilities in terms of water-use efficiency and to cover water use in relation to Good Agricultural Practices. We are committed to develop programs that educate our customers to reduce waste in the use phase and thus reduce water contamination. An example is a pilot launched to recover RRP's heat sticks from consumers. As part of the agricultural water strategy developed with the company South Pole Group, an action plan to enable WASH services in all farms and surrounding communities was created with the aim to identify WASH problems faced by farmers and their families and define priority areas for action.

W6.4

How does your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) during the most recent reporting year compare to the previous reporting year?

Water CAPEX (+/- % change)	Water OPEX (+/- % change)	Motivation for these changes
0	-1	OPEX - a net decrease of 1% in our OPEX driven by different initiatives to reduce water consumption. Water-related OPEX is not significant to our business (less than 0.1%). CAPEX - we only segregate CAPEX that is water-related in certain circumstances, often the project drivers are varied and the water-related element is not financially significant. The level of projects compared to 2015 is similar and therefore 0% change has been entered for CAPEX.

Further Information

Page: W7. Compliance

W7.1

Was your organization subject to any penalties, fines and/or enforcement orders for breaches of abstraction licenses, discharge consents or other water and wastewater related regulations in the reporting year?

Yes, not significant

W7.1a

Please describe the penalties, fines and/or enforcement orders for breaches of abstraction licenses, discharge consents or other water and wastewater related regulations and your plans for resolving them

Facility name	Incident	Incident description	Frequency of occurrence in reporting year	Financial impact	Currency	Incident resolution
Philip Morris Poland	Penalty	Wastewater quality- increased level of maximum allowable concentration of easy sediment suspension.	1	10249	USD(\$)	The reason of this incident was too narrow filtration tapes in scrubbers (Primary & DIET department). After replacing the filtration tape with the proper width, we don't observe any increased level of wastewater quality
Philip Morris Romania	Penalty	Delays in payment	11	1457	USD(\$)	Monthly follow-up with accounts payable team
Philip Morris Ukraine	Penalty	Wastewater quality - increased levels of detergents, phosphates, ammonium nitrogen above relatively tight limits for these substances in Ukraine.	1	9222	USD(\$)	Authorities conduct an analysis and, based on the results, calculate fines for exceeding relatively tight limits. Arbitrary measurements were carried out in three laboratories. The results do not show excess in sewage, however, because of the "rules" approved by the local water authority, fines are calculated on the basis of a diet between arbitrary measurement results and the results of control measurements conducted by local water authorities. We disputed this penalty and now we expect a review of the penalty amount. The expected fine based on the results of the re-selection with the participation of another laboratory - approximately 1000 US\$
Philip Morris Ukraine	Penalty	Wastewater quality - increased levels of detergents, phosphates, ammonium nitrogen above relatively tight limits for these substances in Ukraine.	2	3827	USD(\$)	Were identified reasons that caused excess of the limits in wastewater (since in accordance with internal regulations, the collection of waste water for analysis can occur at any time without prior notice to our company, the pick-up occurred during the washing of equipment in the Primary and the cleaning of the filters at the water treatment plant). So we continue to review operational practices and treatment improvement opportunities to minimize impacts.
PM Kuban	Penalty	Wastewater quality - increased level of maximum allowable concentration of contaminants above relatively tight limits in Russia.	3	18411	USD(\$)	We continue to review operational practices and treatment improvement opportunities to minimize impacts.

W7.1b

What proportion of your total facilities/operations are associated with the incidents listed in W7.1a?

10%

W7.1c

Please indicate the total financial impacts of all incidents reported in W7.1a as a proportion of total operating expenditure (OPEX) for the reporting year. Please also provide a comparison of this proportion compared to the previous reporting year

Impact as % of OPEX	Comparison to last year
0.01	No change

Further Information

Page: W8. Targets and Initiatives

W8.1

Do you have any company wide targets (quantitative) or goals (qualitative) related to water?

Yes, targets and goals

W8.1a

Please complete the following table with information on company wide quantitative targets (ongoing or reached completion during the reporting period) and an indication of progress made

Category of target	Motivation	Description of target	Quantitative unit of measurement	Base-line year	Target year	Proportion of target achieved, % value
Reduction of product water intensity	Water stewardship	In 2015, we exceeded our goal to reduce 20% our water consumption in our manufacturing facilities from a 2010 baseline. Due to the recent uncertainty on RRPs impact, in 2016 we set an interim target of additional 1% reduction year on year and to shift focus from general water savings approach in manufacturing and leaf to a focus on water scarce areas and to extend to our entire value chain.	% reduction per unit of production	2015	2016	100%

W8.1b

Please describe any company wide qualitative goals (ongoing or reached completion during the reporting period) and your progress in achieving these

Goal	Motivation	Description of goal	Progress
Engagement with suppliers to help them improve water stewardship	Water stewardship	Implementation of Good Agricultural Practices (GAP) by tobacco suppliers and farmers. Quality water is essential for growing tobacco and for farming communities, which is why GAP specifically covers measures for water quantity and quality management.	Since 2002, we have adopted and continually developed a Good Agricultural Practices program (GAP), the implementation of which constitutes a contractual requirement for doing business with PMI. Tobacco Farmers' and suppliers' progress in GAP implementation is monitored both internally and externally by third parties who complete a formal GAP assessment every three years, to verify tobacco supplier annual self-assessments.
Providing access to WASH in local communities	Water stewardship	Enable WASH services on all farms and in the surrounding communities.	As part of our leaf program, we have embraced water stewardship for the tobacco leaf supply chain. It will embark us for a long term journey with a horizon up to 2030. In 2016 we have developed our mission and vision for this journey. We have also performed a high level risk

Goal	Motivation	Description of goal	Progress
			assessment and identified WASH as a key area where to start implement interventions.
Watershed remediation and habitat restoration, ecosystem preservation	Water stewardship	Support sustainable watershed management in growing regions with high water stress.	A pilot watershed site has been identified based on choosing a country where tobacco leaf crops are present close to a complex operations site and where local qualified resources are available. During 2017 we will learn and develop tools to be exported to other countries.
Sustainable agriculture	Water stewardship	Encourage good agricultural practices that preserve local and global water resources. Support growing practices that enable the tobacco crop to be resilient to changing water scenarios.	As part of our leaf program, we have embraced water stewardship for the tobacco leaf supply chain. It will embark us for a long term journey with a horizon up to 2030. In 2016 we have developed our mission and vision for this journey. We have also performed a high level risk assessment and identified key sustainable agriculture practices to be deployed in risk tobacco growing areas.

W8.1c

Please explain why you do not have any water-related targets or goals and discuss any plans to develop these in the future

Further Information

Module: Linkages/Tradeoff

Page: W9. Managing trade-offs between water and other environmental issues

W9.1

Has your organization identified any linkages or trade-offs between water and other environmental issues in its value chain?

Yes

W9.1a

Please describe the linkages or trade-offs and the related management policy or action

Environmental issues	Linkage or trade-off	Policy or action
Linking energy and water reduction in our factories.	Linkage	Energy is often required to drive water-consuming processes, and by improving the efficiency of processes and equipment both water and energy consumption can be reduced. Our Energy Management Program (EMP) was developed to help achieve our CO2e reduction target of 20% by 2015 compared to our 2010 baseline for our manufacturing affiliates. This program, although focusing on energy, also delivers water savings in specific examples. The management focus provided by the EMP provides a context for general resource optimization. Examples: • Optimization of steam systems results in decreases in both energy and water use. • Installation of energy and water metering devices at all facilities allows a better understanding of water consumption and allows targeted improvement actions. • Development and use of a “Ready mode” on specific equipment has helped to reduce the consumption of electricity, gas, steam and water. • Installation of new high efficiency chillers to improve both electricity and water consumption. For example, in our Indonesia factory, we upgraded our chilled water system and saved energy, water, and money.

Further Information

Module: Sign Off

Page: Sign Off

W10.1

Please provide the following information for the person that has signed off (approved) your CDP water response

Name	Job title	Corresponding job category
Andre Calanzopoulos	Chief Executive Officer	Chief Executive Officer (CEO)

W10.2

Please indicate that your organization agrees for CDP to transfer your publicly disclosed data regarding your response strategies to the CEO Water Mandate Water Action Hub.

Note: Only your responses to W1.4a (response to impacts) and W3.2c&d (response to risks) will be shared and then reviewed as a potential collective action project for inclusion on the WAH website.

By selecting Yes, you agree that CDP may also share the email address of your registered CDP user with the CEO Water Mandate. This will allow the Hub administrator to alert your company if its response data includes a project of potential interest to other parties using water resources in the geographies in which you operate. The Hub will publish the project with the associated contact details. Your company will be provided with a secure log-in allowing it to amend the project profile and contact details.

Yes

Further Information

[CDP 2017 Water 2017 Information Request](#)